

City of San Jose
Former San Jose Medical Center Site
Land Use – Health Care Study

Stakeholder Advisory Committee Meeting

200 East Santa Clara Street, Combined Rooms W-118 and W-119
(San Jose City Hall, Council Wing)
Wednesday, March 21, 2007
6:00 – 8:00 p.m.

DRAFT MEETING NOTES

Committee Members: George Chavez, Roz Dean, Gary Schoennauer, Nancy Hickey, Dennis Hickey, Andrew Reid, Julia Ostrowski, Patti Phillips, Joe Pambianco, Jim Murphy, Paula Velsey, Ernie Wallerstein

Planning Staff: Andrew Crabtree, Allen Tai, Sam Knutson

Consultants: Dr. Henry Zaretsky and Terry Bottomley

Facilitator: Kip Harkness

A. Welcome

Roz Dean asked about the progress of the structural analysis and Kip Harkness stated that he is requesting additional information from the Hospital Corporation of America (HCA).

Nancy Hickey noted the low attendance and inquired about the communication between staff and the committee members. Kip Harkness stated that Les Levitt could not attend due to a family emergency, but did not hear from other absent committee members.

B. Continue Review and Discussion of Concept Scenarios

Health Care Perspective

Dr. Henry Zaretsky presented several slides. Slide 1 showed operating margins of hospitals with a similar payer mix as the former San Jose Medical Center (SJMC). In summary, the data shows that it is not impossible for hospitals with a very high Medi-Cal and Medicare load to be economically viable. Operating margin = profit and net income divided by revenue. The average of the whole group is approximately -2.6%.

Slide 2 showed the number of physicians in the SJMC area as of December 2004, with approximately 70% of the physicians concentrated at four locations. Mr. Chavez's building at 25 North 14th Street has

up to a 50% vacancy after the closure of the SJMC. Other remaining physicians are still here because they are binded to their leases; otherwise, one could anticipate even fewer doctors in the area.

In terms of quality ratings for hospitals, the Leapfrog website <http://www.leapfroggroup.org/home> provides ratings for various hospitals. California Hospital Compare, <http://www.calhospitalcompare.org/>, also provides comparisons of various hospitals. However, Regional Medical and Good Samaritan did not provide data.

Slide 3 is a matrix that illustrates perspectives from the Community, the City and HCA on various issues. Discussion: Some health facilities do not accept Medi-Cal patients. A community care clinic such as Gardner, a non-profit community care clinic would be a good candidate to locate on this site. Gardner accepts Medi-Cal and the uninsured. It can co-locate with an urgent care facility, but need such a facility would need funding support. Doctors are generally supportive of a system that provides health insurance coverage for the uninsured, but doctors themselves do not want to pay 2% of their before tax profit to support such as system.

Julia Ostrowski stated that she believes the community wants to see the area revitalized, but does not believe that a hospital use itself would be enough to revitalize the area.

Joe Pambianco stated that the does not think “neutral” is a good word to use to describe the positions of various interest groups. It tends to make people believe that you have no input rather than holding off input until more information is available.

Dr. Zaretsky suggested invited O’Connor to the next meeting to discuss how the closure of the SJMC impacted their operation.

Land Use Perspective

Terry Bottomley gave a summary of the land use discussions from previous meetings. He presented an overview of the evaluation criteria.

Concept 1 – Entire site for Hospital

Questions to ask is whether a hospital would be viable on the entire site, and should a hospital take the entire site.

Concept 2 – Half hospital and half Continuing Care facility

Roz Dean stated that Concept 2 is acceptable but it really depends on the nature of the facilities. Could it be 50% assisted living and 50% independent? It does not need to serve only one economic group. Joe Pambianco stated that he would love to see an extension of viable connection to the community and not only a Continuing Care facility.

Mr. Bottomley presented slides that showed the spatial requirements for an urban large hospital and explained that it would require 5 acres. The hospital site would include parking, a hospital and associated services building and 200 beds. The question is where the parking structure should be located, because no one wants to be near the garage structure. This example is an exact replica of the Kaiser facility in Redwood City. The cost of such a facility is approximately \$300 million. Jim Murphy

stated that the costs of construction have increased significantly, so that the costs are almost \$3 million per bed. Dr. Zaretsky stated that a basic community hospital should be cheaper than at tertiary hospital.

Gary Schoennauer stated that the exercise of reviewing land use concepts is just to show how a similar use can fit on the site. We are not looking at the range and not proposing a hospital on the site. This concept cannot economically work on the site. It is not in the market for it to happen.

Terry Bottomley stated that the purpose of reviewing the concept is because the committee wanted to understand how much land a hospital facility would occupy. Mr. Bottomley presented another slide that showed a large medical office building that occupies 2 acres and includes parking and 110,000 square feet on 5 stories. Other slides showed medical clinics of 60,000 square feet on 3 stories, 30,000 square feet on 2 stories, and a single story clinic of 8,000 square feet in size.

George Chavez suggested the need to look at parking availability in the area for possibilities of shared parking uses in the future.

Kip Harkness began a segway discussion of the possible recommendations and presented two possible recommendations:

1. The priority for medical office buildings should be to reuse existing medical office buildings in the area before exploring the construction of new buildings as long as there is neighborhood compatibility.
2. There is an immediate need to address enable access for the underinsured and uninsured to health care and urgent care.

Concept 3

Terry Bottomley began the discussion of Concept 3, which shows a hospital occupying most of the southwest area of the site, approximately 5.3 acres in size. On the southeast corner the site would be developed with residential and commercial mixed use and townhouse residential would occupy the remainder of the site.

Roz Dean inquired about the relocation of Fire Station #8 and Mr. Bottomley explained that the northwest corner of N. 17th Street is likely as far west as the Fire Station can go due because the Fire Department wants to locate the station farther east instead. Kip Harkness added that the station will still be a primary station for the downtown area, but currently there is no funding available to construct a new fire station even if a site was identified for relocation. Dennis Hickey stated that it was no up to the committee to decide on the location of the Fire Station, and that it was up to the Fire Department to decide in order to meet service needs.

Joe Pambianco asked it was possible to tuck a parking structure in the middle of the site to avoid land use conflicts with the surrounding neighborhood. Mr. Bottomley stated that it would be a tight fit, but not impossible. Julia Ostrowski stated her primary goal is to get a hospital on the site. Joe Pambianco stated that Concept 3 is a better option than placing a hospital and parking facility facing the single-family homes on St. John Street. He would like to see a larger neighborhood commercial strip along East Santa Clara Street. Gary Schoennauer stated that this is a land use exercise and that the committee must look at whether the concept represents a viable and desirable arrangement.

Dennis Hickey and Joe Pambianco agreed that Concept 3 would be a good arrangement if there were economic viability for a hospital.

Concept 4

Concept 4 illustrates a 60,000 square-foot family health clinic at the southwest corner of the site, with neighborhood retail sharing the remaining Santa Clara Street frontage. Multifamily development is shown across the middle section of the site followed by townhouses along St. John Street.

Gary Schoennauer stated that HCA likes this concept for its economic value.

Julia Ostrowski asked whether there is an assumption for land banking on another site for hospital uses when a concept does not identify an on-site hospital. Kip Harkness responded that it is a decision for the Committee to address. That is, the Committee will need to address the question of a Downtown hospital parallel to reviewing the land use concepts.

Joe Pambianco asked whether having a hospital on the site would influence the viability of George Chavez's building. Gary Schoennauer stated that HCA would not support a medical office building on the site. Dr. Zaretsky stated that there is a need for a health clinic and urgent care. There is a need for both because there is a gap in a community health clinic and urgent care services. The two must be co-located to meet out-patient needs. Dr. Zaretsky defined "non-emergency, non-hospital healthcare" as a clinic with urgent care and specialty care; a primary care facility with specialty care. Nancy Hickey added that there is also a need for an out-patient surgery center. Gary Schoennauer stated that definitions are necessary to ensure that everyone is on the same page. Dr. Zaretsky will do a write-up for frequently used medical terms.

Roz Dean suggested inviting representative from other healthcare providers to answer questions for the Committee.

Julia Ostrowski asked whether it is HCA's position not to allow a medical office on the site and whether it was economically viable. Gary Schoennauer stated that it was not economically viable and that there is no economic demand for a hospital.

Joe Pambianco suggested lowering the density on the north side of the site facing St. John Street. He did not want to see large, massive buildings interfacing the neighborhood to the north.

Gary Schoennauer spoke about the infill development potential of the site and described its advantages of being near a future BART transit corridor with walking distance to many amenities. He stated that the site is critical to the revitalization efforts of Santa Clara Street. In addition, he stated that high-density housing could be achieved with a four-story structure. Kip Harkness asked whether the Committee would like to see future development gradually increase in density and height as it approaches Santa Clara Street. Joe Pambianco agreed with the idea of two to four story buildings on the site. Terry Bottomley stated that there seems to be consensus on Concept #4.

Concept 5

Concept 5 involves the City's acquisition of the entire site to land bank for a future hospital.

Joe Pambianco opposed the idea of land banking if it means that the site will sit vacant and blighted. Other members of the Committee agreed.

Concept 6

Concept 6 closely resembles Concept 4 with the exception of a 3.5-acre portion of the site at the southwest corner identified as a land bank opportunity.

Paula Velsey asked about the difference between Concept 3 and Concept 6. She wanted to know whether Concept 3 represents a better configuration of land uses. Terry Bottomley stated that it is possible to look at slightly different breakdown of uses in any of the land use concepts.

Dr. Zaretsky asked whether the City would buy the land and keep it undeveloped. Dennis Hickey stated that there is opportunity for the City to apply interim uses to the land.

Gary Schoennauer stated another reason for the HCA to not want a hospital on the site is that it could affect the viability of Regional Medical. HCA will not sell to another hospital use. The only way to do it is through eminent domain, which has numerous legal issues involved.

C. Decision Making Process and Revised Work Plan

Kip Harkness told a story of two different ethnic groups in Africa that were able to overcome mistrusts and achieve economic success by working together.

Kip stated that the timeline for the Committee process would likely extend until the end of June, with presentation of recommendations to the Planning Commission and City Council in August. Additional meetings would need to be scheduled in May and June in order to work through all the issues.

Nancy Hickey stated that if the land bank concept is out of the question, then there must be an alternative that requires medical or hospital use on other sites.

Joe Pambianco suggested that the former City Hall site be explored as an alternative.

D. Public Comments

None

E. Logistics Housekeeping

Meeting notes for previous meeting will be available before the next meeting.

Meeting adjourned 8:10 p.m.